

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

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C O N F I D E N T I A L NEW DELHI 15815

E. O. : 11652: N/A

TAGS: EFIN, ABLD, IN

SUBJ: CONTRACT S-119-FBO-757 FOR FOUR GENERATORS

REF: A) STATE 258509 B) NEW DELHI 15346

1. WE CONCUR WITH THE APPROACH IN REF. A. IN FACT, WE HAD SUGGESTED THIS TO HYDE (SMITH WAS ALSO PRESENT) SEVERAL WEEKS AGO WHEN THE PROBLEM FIRST CAME TO OUR ATTENTION. SHORTLY AFTERWARD HYDE TOLD US THE RESERVE BANK OF INDIA HAD ASKED HIM FOR A DETAILED ACCOUNTING OF HOW HE INTENDED TO USE THE MONEY. WE DIDN'T SIT IN ON THE DISCUSSIONS ON THE POINT BETWEEN HYDE AND THE RBI, BUT AS HE EXPLAINED IT TO US, HE THOUGHT IT WAS UNREASONABLE TO EXPECT HIM TO KNOW IN ADVANCE IN ANY SORT OF DETAIL HOW HE WAS GOING TO USE THE FUNDS. WE ADVISE HIM NONETHELESS TO DO THE BEST HE COULD IN FURNISHING DETAILS SINCE THIS SEEMED ESSENTIAL IF HE WAS TO GET THE USE OF HIS MONEY. NOW THAT THE PROBLEM HAS TURNED OUT TO BE DIFFICULT THAN HYDE HAD THOUGHT, PERHAPS THE WILL BE WILLING TO COME UP WITH DETAILS. WE SHALL AGAIN PROPOSE IT TO SMITH THE NEXT TIME WE SEE HIM, AND SUGGEST YOU DO THE SAME WITH HYDE.

2. SUBSEQUENT TO REF. B A FEW WRINKLES HAVE COME INTO THE PICTURE TO CONFUSE IT STILL FURTHER. BY NOW IT IS NOT CLEAR HOW MUCH OF THE PROBLEM IS WITH THE GOVERNMENT OF INDIA AND HOW MUCH IS WITH DHYANI. BROMLEY SMITH NOW TELLS US THAT HE SUSPECTS THAT DHYANI MAY BE THE MAJOR CAUSE OF
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THE DIFFICULTIES ENCOUNTERED BY HYDE AND SMITH. ACCORDING TO HIM, DHYANI IS ACTING AS THOUGH THE MONEY IN THE CANARA

BANK ACCOUNT BELONGS TO HIM AND HE HAS MADE WITHDRAWALS FROM IT. LEGALLY DHYANI MIGHT VERY WELL BE RIGHT. AT THE TIME OF THE TRANSACTION, WE HAD ADVISED CAPCO (1) TO MAKE IT CLEAR THAT DHYANI WAS ITS AGENT IN INDIA AND (2) TO BE CLEAR THAT DHYANI WAS A RESIDENT. UNFORTUNATELY THEY DID NEITHER. OTHER DOCUMENTATION, WITNESSED BY BROMLEY SMITH FOR SOME REASON, SEEMS TO SHOW DHYANI AND CAPCO AS EQUAL PARTNERS IN THE SALE. SMITH IS NOW TALKING ABOUT FILING SUIT IN THE INDIAN COURTS AGAINST DHYANI. WE DON'T KNOW EXACTLY WHAT THE RELATIONSHIP IS BETWEEN HYDE AND SMITH, BUT IT IS APPARENT THAT SMITH IS LOOKING OUT FOR HYDE'S INTERESTS AS WELL AS HIS OWN IN THIS MATTER. HE STRONGLY IMPLIES THAT HE HAS A FINANCIAL STAKE IN THE TRANSACTION BEYOND HIS AIR FREIGHT BILL. WE HAVE TOLD BROMLEY SMITH THAT TO THE EXTENT HIS PROBLEM IS BETWEEN HIM AND DHYANI THERE ISN'T A GREAT DEAL WE CAN DO FOR HIM AT THIS TIME. WHAT HE NEEDS IS A GOOD INDIAN LAWYER, AND THAT HE HAS.

3. WE HAVE BEEN GIVING SMITH ALL THE HELP HE ASKS FOR, WHICH RECENTLY HAS CONSISTED MAINLY OF ODDS AND ENDS OF DOCUMENTATION HE STILL NEEDS ON HIS AIR FREIGHT CLAIM. OUTSIDE OF THAT, AND ADVISING HIM ABOUT DETAILING THE USE OF THE RUPEES IN INDIA, AS MENTIONED ABOVE, WE DO NOT KNOW OF ANYTHING MORE WE CAN DO AT THE MOMENT.
MOYNIHAN

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